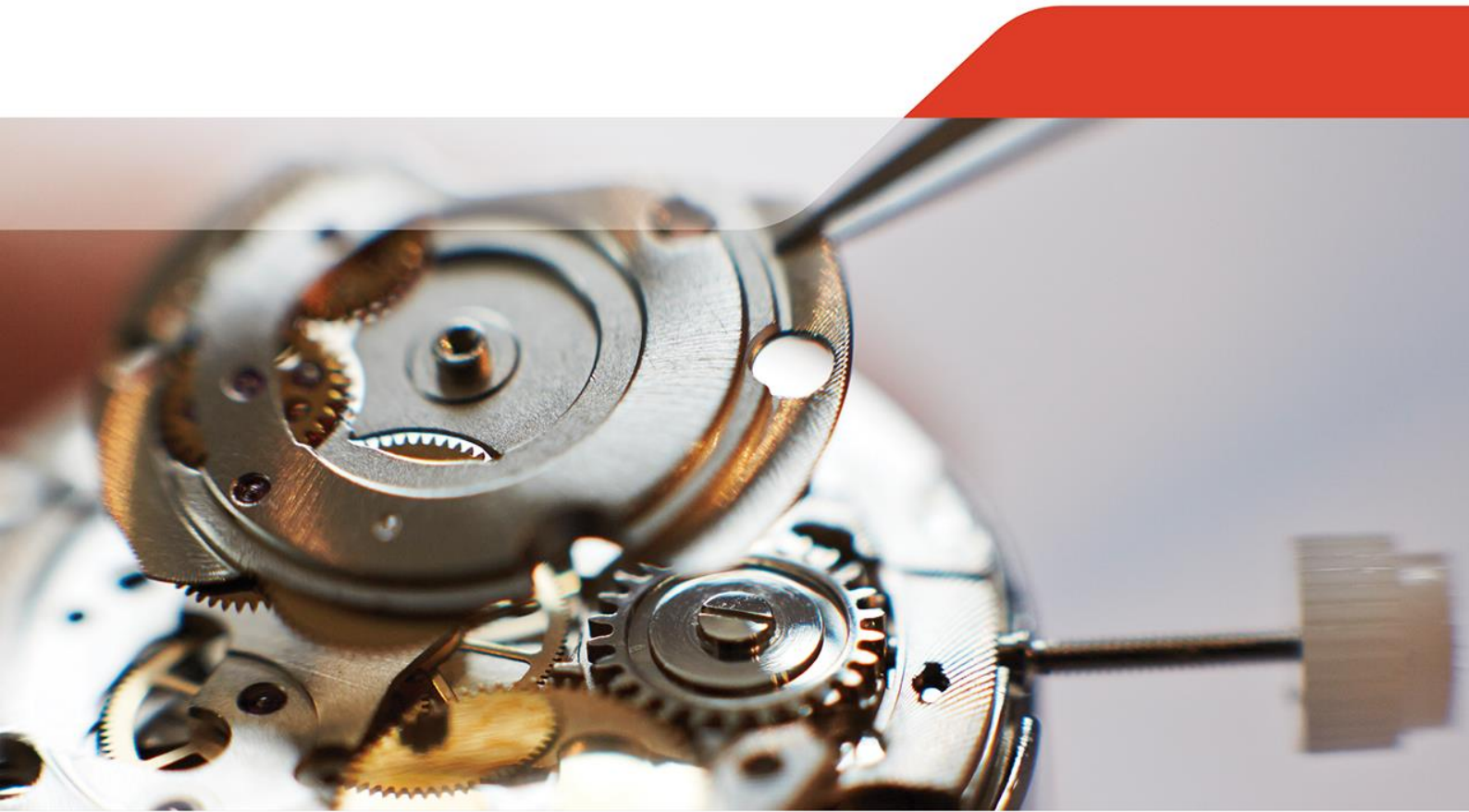


## SIX SIS Ltd

**Publication of essential information within the meaning of Art. 19 lit.  
c FMIO / Art. 21 FMIA**

February 2018





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### 1.0 Introduction

#### 1.1 Background information

Since 1 January 2016, the Financial Market Infrastructure Act (Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 19 June 2015) has governed the organization and operation of financial market infrastructures, and the conduct of financial market participants in securities and derivatives trading. The Financial Market Infrastructure Act requires financial market infrastructures to regularly publish all essential information for participants, issuers and the general public. This Risk Brochure lists the key risks for participants associated with the services provided.

### 2.0 Legal risks

#### 2.1 Compliance with local laws

The participant is itself responsible for complying with all applicable laws (including market rules) both in Switzerland and abroad. The participant is liable to SIX SIS Ltd (hereafter "SIX SIS") for any loss or damage arising as a result of a breach of Swiss or foreign law on the part of the participant (see Arts. 9 and 27 of the General Terms and Conditions of SIX SIS [GTC SIX SIS]).

#### 2.2 Disclosure of data

With the consent of the participant, or in the event of SIX SIS being threatened with legal action, SIX SIS is authorized to disclose data relating to the participant (see Art. 9 GTC SIX SIS). In particular, participants acknowledge that participant-related data in relation to T2S settlement (e.g. transaction data) may be saved and processed abroad and that the Eurosystem, as the operator of the T2S system, has access to this information (see Annex 2, Art. 2 GTC SIX SIS).

Depending on the applicable foreign law or contractual provisions, SIX SIS may be obliged to disclose data relating to financial market and foreign currency transactions. Disclosure obligations may arise, in particular, as a result of local laws in those countries affected by a financial market or foreign currency transaction, or compliance standards of involved third parties.

#### 2.3 Blocking of securities in the omnibus account as a result of local orders against participants of SIX SIS

As a result of local orders against participants of SIX SIS or SIX SIS itself, it may occur that all securities in the omnibus account are blocked, even those belonging to participants not affected by the order.

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### 2.4 **Misconduct or incorrect instructions on the part of authorized persons or Assigned Business Partners (ABPs)**

A bank authorized by a participant or a securities trader authorized by a participant, which does not have its own contractual relationship with SIX SIS and does not maintain its own money and safekeeping accounts with SIX SIS may be admitted as an ABP by SIX SIS subject to a written application from the participant and the fulfillment of the other requirements.

All legal effects of the ABP's actions and instructions have a direct impact on the participant. The resulting obligations impacting SIX SIS must be met by the participant as if they were its own obligations. In particular, this also applies if there is any misconduct or incorrect instructions on the part of authorized persons or ABPs, such as a breach of local market regulations or laws (see Art. GTC SIX SIS).

### 3.0 **Credit, liquidity and market risks**

Securities are held for safekeeping either in Switzerland or abroad. They are usually held where most trading in them takes place and the provisions applicable in this place apply. As such, the process for segregating securities and transferring securities to the participant in the event of a depository's insolvency is subject to the applicable local law. In such cases, the participant must expect that the securities held by it will not be available for a certain period of time.

Should SIX SIS entrust the safekeeping or booking of securities to a sub-custodian in Switzerland or abroad, it shall be exclusively liable for due diligence in the selection and instruction of the sub-custodian and with respect to monitoring its uninterrupted compliance with the selection criteria. Any further liability of SIX SIS is excluded (see Art. 26 GTC SIX SIS).

The participant bears the risk that the debtor of a security, e.g. Bond, fund unit or derivative, becomes insolvent (issuer risk). In addition, the value of the security always depends on the creditworthiness of the issuer; this may change over the term of the security.

If there is a lack of cash and/or securities for the delivery of the transaction in the money and/or safekeeping accounts of the participant, there may be a delay in the settlement of the transactions and corresponding costs may be incurred.

The assets of SIX SIS that correspond to participants' foreign currency balances shall be invested in the same currency inside and outside the country that uses the foreign currency in question. The participant shall bear a proportional share of the effects of economic and legal consequences on the total balances of SIX SIS in the country of the currency in question or the investments as a result of official measures (see Art. 42 GTC SIX SIS).



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### 4.0 Operational risks

#### 4.1 Delayed instruction of corporate actions

If instructions are not submitted by participants within the deadline stipulated by SIX SIS, it cannot be guaranteed that they will be settled as per the instruction. Delayed instructions may result in the required options no longer being available, which could lead to a financial loss for the participant.

#### 4.2 Compliance with tax provisions

The participant is itself responsible for compliance with tax provisions both in Switzerland and abroad. In particular, this applies with regard to the correct setting up of the participant's safekeeping accounts and the timely provision of tax reclaim documents (Art. 9, 27 GTC SIX SIS).

#### 4.3 Verification of identity

Loss or damage resulting from a failure to detect an incorrect identity being used, e.g. due to forged signatures or documents, or misuse of fax or other electronic transmission systems, shall be borne by the participant exclusively, provided that SIX SIS is not guilty of any negligence. In its communication with participants and the persons authorized by participants, SIX SIS is entitled to take the measures it deems appropriate to verify participants' identities at all times. Loss or damage resulting from delays caused by this shall be borne by the participant, provided that SIX SIS is not guilty of any negligence (see Art. 5A GTC SIX SIS).

#### 4.4 Communication

The participant knows and takes into account that – notwithstanding all due diligence measures – the confidentiality, integrity and authenticity of data cannot be guaranteed in messages sent by SIX SIS to the participant via open means of transmission and communication (such as the Internet and the related web services) The participant is aware that use of the Internet carries significant risks and dangers for the Participant (incomplete transmission, errors in selecting a connection, covert misuse by unauthorized third parties, transmission of computer viruses, hacker attacks, network availability, phishing etc.). SIX SIS disclaims all liability for damage arising from usage of the Internet. In particular, SIX SIS shall not be liable for damage resulting from errors in transmission, technical deficiencies, malfunctions, illegal tampering with network installations, network overloading, intentional blockage of electronic access points by third parties, malfunctions of the Internet, interruptions, or other failings or omissions on the part of third parties (see Art. 8 GTC SIX SIS).

#### 4.5 Vault services

An incident may occur (e.g. fire, flooding, theft) which results in it no longer being possible to deliver some or all of the participant's assets stored in the vault.



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### 4.6 **Delayed execution of orders as a result of investigations**

As a result of investigations being carried out (or securities re-registrations, sanctions monitoring), orders or instructions might not be executed, or might only be executed with a delay.

### 5.0 **Settlement risks**

#### 5.1 **Counterparty risk / settlement risk**

If a counterparty fails to fulfill its settlement obligations, the participant may incur financial damage.

#### 5.2 **Delayed settlement of transactions**

SIX SIS settles transactions for the participant on the basis of the liquidity in the money/safekeeping accounts. SIX SIS has no influence on the time at which money/safekeeping accounts at SIX SIS are credited. If the required liquidity is not available as a result of delays in receiving cash/securities, it might not be possible to settle transactions to be delivered on time. Any recourse claims from counterparties must be dealt with by the participant itself.

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